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Cotton and Products Update May 2015

Report Categories:
Cotton and Products

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Report Highlights:
The Government of India has revised the monsoon forecast from below normal to deficit. Planting in northern India, albeit slow, continues as prices firm up due to low market yard arrivals. FAS Mumbai revised the Post MY2014/15 production estimate to 29.6 million 480 lb. bales. The MY 2014/15 export estimate has been revised to 4 million 480 lb. bales, to reflect expected sales and shipments through the end of the marketing year.

General Information:

Cotton	2013/2014		2014/2015		2015/2016	
Market Begin Year	Aug 2013		Aug 2014		Aug 2015	
India	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Planted	0	0	0	0	0	0
Area Harvested	11,700	11,960	12,700	12,900	12,000	12,000
Beginning Stocks	12,045	12,045	11,615	11,120	14,315	13,320
Production	31,000	31,000	30,000	29,600	29,500	29,300
Imports	675	675	1,100	1,100	900	800
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	43,720	43,720	42,715	41,820	44,715	43,420
Exports	9,255	9,261	3,900	4,000	5,000	4,700
Use	23,350	23,339	24,500	24,500	25,750	25,000
Loss	0	0	0	0	0	0
Total Dom. Cons.	22,850	23,339	24,500	24,500	25,750	24,500
Ending Stocks	11,615	11,120	14,315	13,320	13,965	13,720
Total Distribution	43,720	43,720	42,715	41,820	44,715	43,420
1000 HA, 1000 480 lb. Bales, PERCENT, KG/HA						

Monsoon Delayed and Deficit Expected

On June 2, 2015, the Government of India revised the monsoon forecast from below normal to deficit. The forecast probability of a deficit (below 90 percent rainfall of the long period average) southwest monsoon (June to September) is 66 percent.

MY2015/16 Assessment of Northern India Kharif Cotton Planting: Sowing is Slower

MY 2015/16 harvested area remains unchanged from USDA's official forecast, but production is forecast marginally lower on reduced yields stemming from delayed sowing, weather, and price realization vis-à-vis other crops. Cotton planting in the north has reached 0.88 million hectares. Planting in northern states of Punjab and Haryana is slower by 19 percent and 6 percent respectively, compared to last year. Low price realization coupled with higher labor costs has prompted farmers to shift away from cotton planting to paddy and pulses (green gram) in Punjab and pigeon pea in Haryana. In the central states of Gujarat and Maharashtra, sowing has commenced. but is limited to fields with assured irrigation

MY 2014/15 Estimated Production Lowered

FAS Mumbai lowered the MY 2014/15 crop estimate 400,000 480 lb. bales to 29.6 million 480 lb. bales (38 million 170 kg bales /6.4 mmt). Limited holding capacity and subdued prices provide little incentive for farmers to store cotton before the onset of the new planting season in the central and southern zones. As such, with little incentive to bring any existing cotton to market and the slow pace of market arrivals, Post revised the crop lower.

Harvested Area Revised Upwards for MY 2013/14 and MY 2014/15

Post revised the harvested area for MY 2013/14 and MY 2014/15 based on the official Cotton Advisory Board (CAB) estimates to 11.96 million hectares and 12.9 million hectares; respectively. With area revisions, the post production estimates for yields are lowered. For example, the MY 2014/15 yield is now close to 500 kg per hectare which would be the lowest in the past five years. MY 2015/16 yields are expected to be much higher at 532 kg per hectare.

Cotton Arrivals and Stock Procurement and Sales

On May 30, 2015, MY 2014/15 all India cotton arrivals, as reported by the Cotton Corporation of India (CCI) reached 27.5 million 480 lb. bales (35.3 million 170 kg bales/5.9 mmt). The pace of arrivals has slowed by 5 percent compared to last year. CCI procurement under MSP remains at a standstill **at** 6.8 million 480 lb. bales (8.7 million 170 kg bales/1.5 mmt). CCI sales reported as of May 30 have reached 1 million 480 lb. bales (1.3 million 170 kg bales/221,000 mt).

Consumption

The Post MY 2015/16 consumption is estimated at 25 million 480 lb. bales. While consumption is expected to be higher than last year on account of strong economic growth and preference for cotton over man-made fibers, post expects the average monthly consumption to be just over around 2 million 480 lb. bales (2.6 million 170 kg bales). The average per month mill consumption rate in MY 2014/15 is 1.96 million 480 lb. bales (2.52 million 170 kg bales). The Post estimate for MY 2014/15 remains unchanged from the USDA official estimate at 24.5 million 480 lb. bales.

Trade

Post forecasts exports in MY 2015/16 to be 4.7 million 480 lb. bales, 300,000 480 lb. bales lower than USDA official estimates. With Indian prices expected to remain on par with Cotlook Index, Post forecasts that global demand preference will be for machine picked cotton with higher quality parameters over Indian-origin cotton. Imports are expected to remain limited to ELS cotton requirements and some late season coverage from West Africa countries.

The MY 2014/15 export estimate is revised to 4 million 480 lb. bales (5.1 million 170 kg bales) and reflects anticipated trade volumes through the remainder of the marketing year. Bangladesh remains the major export market for Indian cotton. Other export destinations include Vietnam, China, and Pakistan. Trade sources indicate that mills in southern India cover their usage needs for only 4-6 weeks as raw cotton and cotton yarn prices are not supporting exports.

The FAS Mumbai 2014/15 import estimate remains unchanged. Demand for imported cotton has picked up as Indian arrivals have slowed down. A large percentage of competitively priced new crop cotton from West Africa (Mali, Cote d Ivoire, and Burkina Faso) is being imported to cover mill demand, (50 percent of total shipments in May). Imports of higher quality upland and ELS from the United States also remain steady (30 percent of total shipments received in May).

Indian ex-gin prices have firmed up and are on par with Cotlook Index. Consequently domestic buying from mills has been limited in the last month as international cotton provides a cheaper option.

Table 1a. India: Estimate of 2013/14 Cotton Exports

	170 kg	Metric Tons	480 lb.
August Exports 1\	260,571	44,297	203,455
September Exports 1\	132,941	22,600	103,801
October Exports 1\	140,806	23,937	109,942
November Exports 1\	1,915,982	325,717	1,496,006
December Exports 1\	2,460,212	418,236	1,920,943
January Exports 1\	2,055,653	349,461	1,605,062
February Exports 1\	1,419,624	241,336	1,108,448
March Exports 1\	1,308,347	222,419	1,021,562
April Exports 1\	956,671	162,634	746,972
May Exports 1\	661,053	112,379	516,153
June Exports 1\	401,882	68,320	313,791
July Exports 1\	147,647	25,100	115,283
Total Aug-Jul	**11,861,388**	**2,016,436**	**9,261,418**

1\ Official sub-total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

Table 1b. India: Estimate of 2014/15 Cotton Exports

	170 kg	Metric Tons	480 lb.
August Exports 1\	99,671	16,944	77,824
September Exports 1\	128,129	21,782	100,044
October Exports 1\	185,618	31,555	144,931
November Exports 1\	733,559	124,705	572,766
December Exports 1\	1,013,571	172,307	791,400
January Exports 1\	670,765	114,030	523,736
February Exports 1\	671,912	114,225	524,631
March Preliminary Exports 2\	779,588	132,530	608,705
April Estimated Exports 3\	354,000	60,180	276,405
May Estimated Exports 3\	225,000	38,250	175,681
Preliminary Total Aug-May	**4,861,813**	**826,508**	**3,796,122**

1\ Official sub-total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.
2\ Preliminary official data from the Directorate of Commercial Intelligence and Statistics. These data are subject to revision, but are considered a fairly reliable predictor of final official data.
3\ FAS Mumbai estimate

Table 2a. India: Estimate of 2013/14 Cotton Imports

	170 kg	Metric Tons	480 lb.
August Imports 1\	107,824	18,330	84,189
September Imports 1\	96,906	16,474	75,664
October Imports 1\	113,382	19,275	88,529
November Imports 1\	55,024	9,354	42,963
December Imports 1\	17,624	2,996	13,761
January Imports 1\	38,959	6,623	30,419
February Imports 1\	41,576	7,068	32,463
March Imports 1\	48,841	8,303	38,135
April Imports 1\	65,582	11,149	51,207
May Imports 1\	59,471	10,110	46,435
June Imports 1\	71,353	12,130	55,713
July Imports 1\	148,218	25,197	115,729
Total Aug-Jul	**864,760**	**147,009**	**675,207**

1\ Official subtotal reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

Table 2b. India: Estimate of 2014/15 Cotton Imports

	170 kg	Metric Tons	480 lb.
August Imports 1\	161,735	27,495	126,283
September Imports 1\	329,041	55,937	256,916
October Imports 1\	197,712	33,611	154,374
November Imports 1\	125,018	21,253	97,615
December Imports 1\	50,094	8,516	39,114
January Imports 1\	52,071	8,852	40,657
February Imports 1\	72,382	12,305	56,516
March Preliminary Imports 2\	78,512	13,347	61,302
April Estimated Imports 3\	82,000	13,940	64,026
May Estimated Imports 3\	95,000	16,150	74,176
Preliminary Total Aug-May	**1,243,565**	**211,406**	**970,980**

1\ Official sub-total reflects estimates from the Directorate General of Foreign Trade, for Harmonized Tariff Schedule code 5201 – raw cotton.

2\ Preliminary official data from the Directorate of Commercial Intelligence and Statistics. These data are subject to revision, but are considered a fairly reliable predictor of final official data.

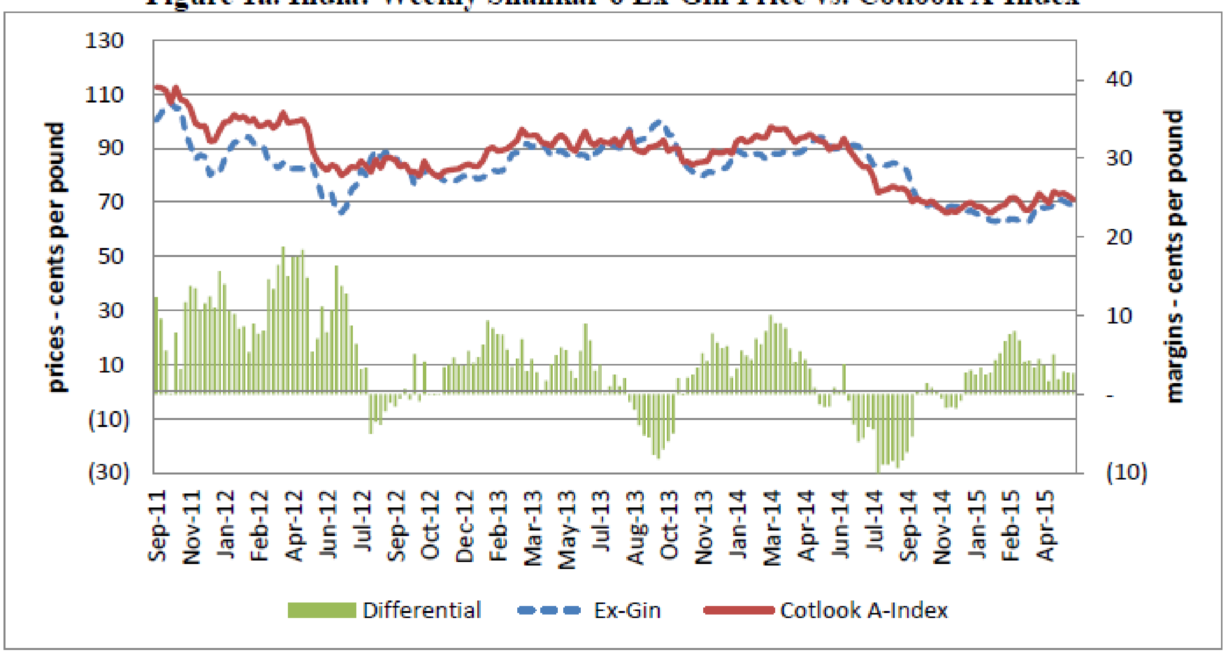
3\ FAS Mumbai estimate

Table 3. India: Monthly Cotton Consumption by the Textile Sector (Million 170 kg bales)

Month	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Aug	1.859	2.173	1.864	2.207	2.423	2.446
Sep	1.829	2.143	2.170	2.146	2.370	2.581
Oct	1.812	2.209	1.776	2.185	2.403	2.416
Nov	1.847	2.110	1.834	2.109	2.296	2.511
Dec	1.949	2.257	2.013	2.264	2.516	2.596
Jan	1.954	2.210	2.033	2.330	2.519	2.602
Feb	1.881	2.023	2.030	2.224	2.323	2.500
Mar	2.001	2.176	2.038	2.361	2.507	
Apr	2.053	2.017	2.031	2.322	2.431	
May	2.093	1.864	2.128	2.285	2.439	
Jun	2.071	1.823	2.117	2.251	2.410	
Jul	2.211	1.900	2.213	2.411	2.454	
Loss*	1.700	1.338	*0.500*	*0.783*	*0.800*	*1.500*
Total	**25.260**	**26.243**	**24.747**	**27.878**	**29.891**	

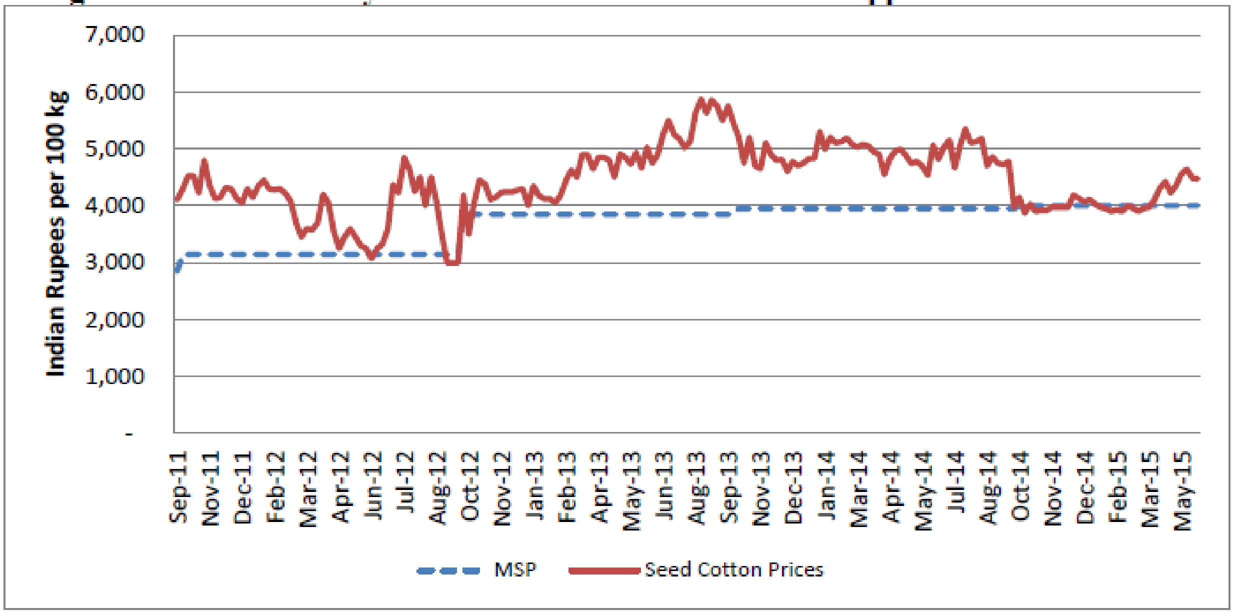
*Loss estimate from the Cotton Advisory Board
Source: Textile Commissioner

Figure 1a. India: Weekly Shankar 6 Ex-Gin Price vs. Cotlook A-Index



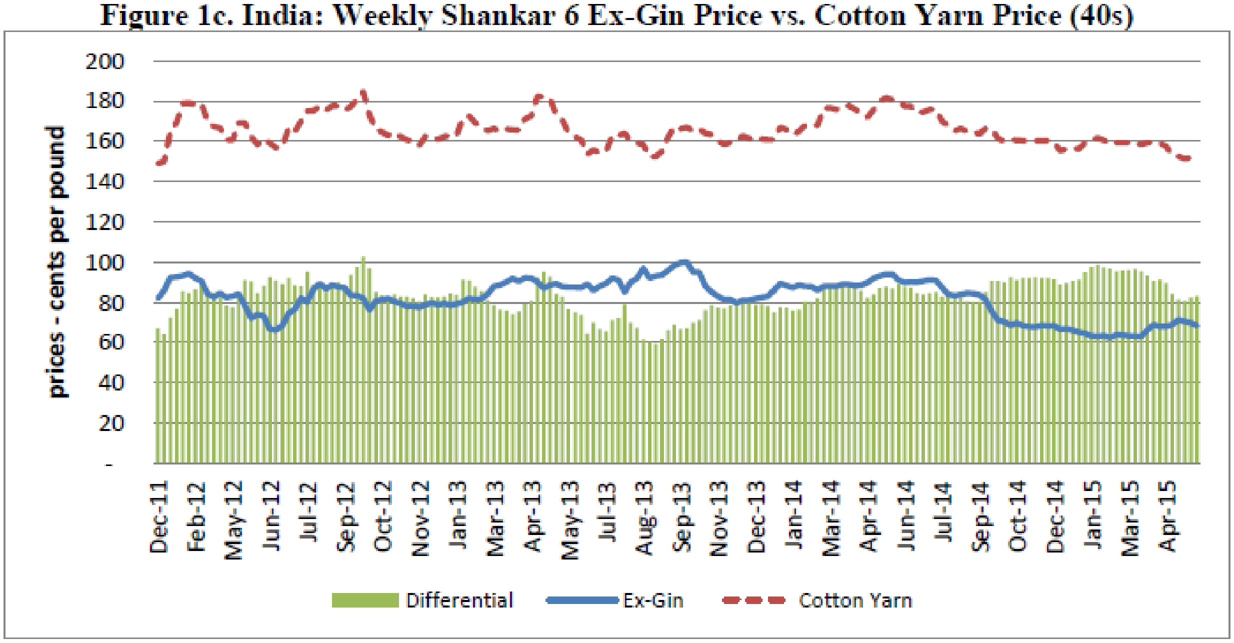
Source: Cotton Association of India
Cotlook A-Index

Figure 1b. India: Weekly Seed Cotton Prices vs. Minimum Support Price – Shankar-6



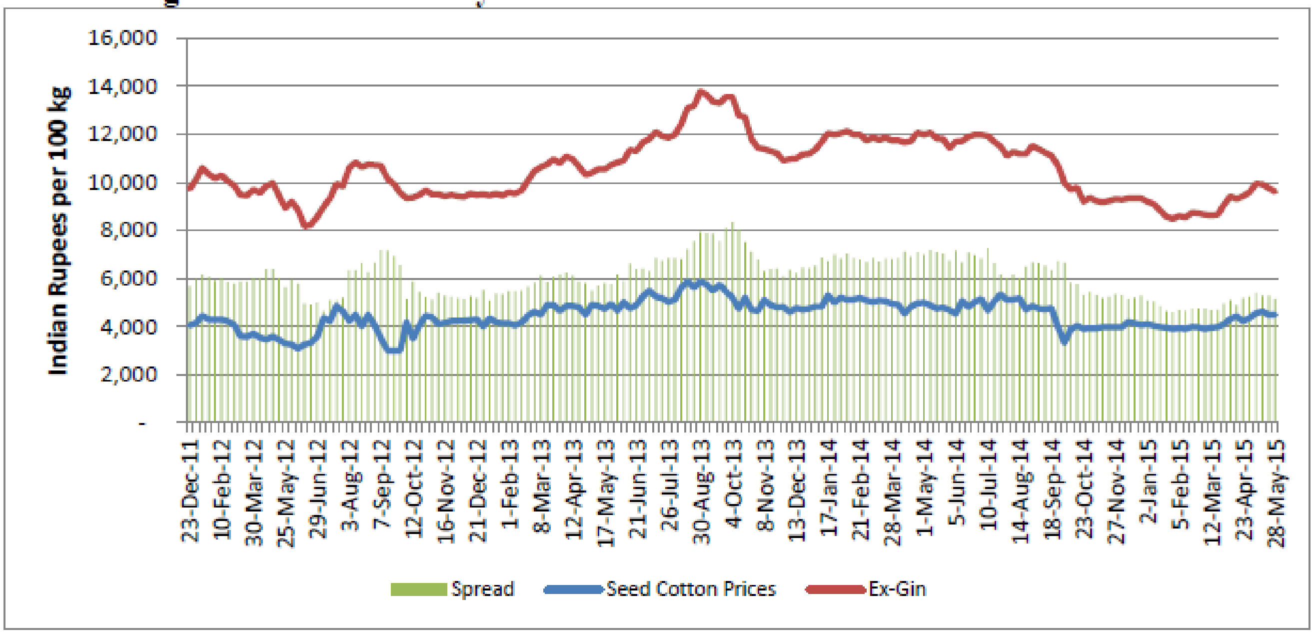
Source: Agriculture Marketing Information Network, Ministry of Agriculture

Figure 1c. India: Weekly Shankar 6 Ex-Gin Price vs. Cotton Yarn Price (40s)



Source: Cotton Association of India
Tecoya Trend

Figure 1d. India: Weekly Seed Cotton Prices vs. Shankar 6 Ex-Gin Prices



Source: Cotton Association of India

Agriculture Marketing Information Network, Ministry of Agriculture